

TOWN OF KOOSHAREM
FINANCIAL STATEMENTS
JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Koosharem
Koosharem, Utah 84744

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Koosharem as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Koosharem's management. Our responsibility is to express an opinion on these financial statements based on our audit.

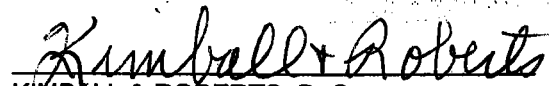
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Koosharem as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2006, on our consideration of the Town of Koosharem's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 39 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Koosharem's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Koosharem. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 19, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

**TOWN OF KOOSHAREM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006**

This discussion of Kooshare Town financial performance provided an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements and culture and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$910,505 (net assets). Of this amount, \$77,305 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$87,974. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental funds reported ending fund balance of \$93,347, an increase of \$12,509 in comparison with the prior year. Approximately 41 percent of this total amount, \$38,052 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$36,329, or 16 percent of total general fund expenditures.
- * The Town's total debt increased by \$84,233 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and public improvements, and culture and recreation. The business-type activities of the Town are water operations, garbage and landfill services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Koosharem Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the municipal building authority, a special revenue fund.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Koosharem Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, garbage and landfill.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Koosharem Town's, assets exceeded liabilities by \$910,505 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (85 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$77,305) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Koosharem Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	94,230	84,320	48,401	46,096	142,631	130,416
Capital Assets	399,825	230,444	530,372	545,272	930,197	775,716
Total Assets	494,055	314,764	578,773	591,368	1,072,828	906,132
Long-Term Liabilities	157,411	57,373	2,697	18,501	160,108	75,874
Other Liabilities	883	3,482	1,332	4,245	2,215	7,727
Total Liabilities	158,294	60,855	4,029	22,746	162,323	83,601
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	242,414	173,071	527,675	526,771	770,089	699,842
Restricted	55,295	46,430	7,816	4,620	63,111	51,050
Unrestricted	38,052	34,408	39,253	37,231	77,305	71,639
Total Net Assets	335,761	253,909	574,744	568,622	910,505	822,531

Governmental Activities

Governmental activities increased Koosharem Town's net assets by \$81,852.

Koosharem Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	23,986	30,904	83,958	76,228	107,944	107,132
Operating Grants	88,864	47,304	-	-	88,864	47,304
Capital Grants	82,600	-	-	-	82,600	-
General Revenues:						
Property Taxes	5,245	5,133	-	-	5,245	5,133
Other Taxes	36,477	30,106	-	-	36,477	30,106
Impact Fees	2,781	467	7,996	3,858	10,777	4,325
Interest Earnings	5,090	1,803	1,262	675	6,352	2,478
Total Revenues	245,043	115,717	93,216	80,761	338,259	196,478
Expenses:						
General Government	114,284	42,267	-	-	114,284	42,267
Public Safety	11,374	20,863	-	-	11,374	20,863
Highways and Public Improvements	23,930	19,583	-	-	23,930	19,583
Culture and Recreation	11,104	16,271	-	-	11,104	16,271
Interest on Long-Term Debt	2,499	3,461	453	1,070	2,952	4,531
Water, Garbage & Landfill	-	-	86,641	74,915	86,641	74,915
Total Expenses	163,191	102,445	87,094	75,985	250,285	178,430
Increase in Net Assets Before Transfers	81,852	13,272	6,122	4,776	87,974	18,048
Transfers	-	-	-	-	-	-
Increase in Net Assets	81,852	13,272	6,122	4,776	87,974	18,048
Net Assets - Beginning	253,909	240,637	568,622	563,846	822,531	804,483
Net Assets - Ending	335,761	253,909	574,744	568,622	910,505	822,531

* The City received operating grants of \$88,864. Of this amount, \$54,313 was received for community center and a flood study, \$31,291 for C roads. A capital grant of \$76,200 was received for equipment.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the Town's net assets by \$6,122.

- * The depreciation in the enterprise funds remained the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported combined ending fund balances of \$93,347, an increase of \$12,509 in comparison with the prior year. Approximately 42 percent of this amount (\$38,052) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$51,106 and impact fees of \$4,189.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16 percent of total general fund expenditures, while total fund balance represents 39 percent of that same amount.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water, garbage and landfill fund at the end of the year was \$39,253. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget was an increase of \$20,112.

- * General Government increased \$6,354.
- * Public Safety increased \$9,600.
- * Culture and Recreation decreased \$10,781.
- * Capital Outlay increased \$11,757
- * Increase in Fund Balance \$3,182

Actual revenues were less than budgeted revenues by \$65,832 and actual expenditures were less than budgeted expenditures by \$76,618 resulting in a net increase in fund balance of \$10,786.

Capital Asset and Debt Administration

Capital Assets

Koosharem Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$399,825 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and highways.

The total increase in the Town's investment in capital assets for the current year was \$193,076. Major capital asset events during the current year included the following:

* Maintenance Building \$141,208, Backhoe \$32,381, Dump Truck \$10,320 and Sprinkler System for \$9,167.

Koosharem Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	64,564	64,564	1,000	1,000	65,564	65,564
Water Shares	-	-	177,900	177,900	177,900	177,900
Infrastructure	70,800	88,500	-	-	70,800	88,500
Buildings	201,358	63,300	-	-	201,358	63,300
Improvements Other than Buildings	9,167	-	351,472	366,372	360,639	366,372
Equipment	53,936	14,080	-	-	53,936	-
Total	399,825	230,444	530,372	545,272	930,197	761,636

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$160,108. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Koosharem Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	157,411	57,373	2,697	18,501	160,108	75,874

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

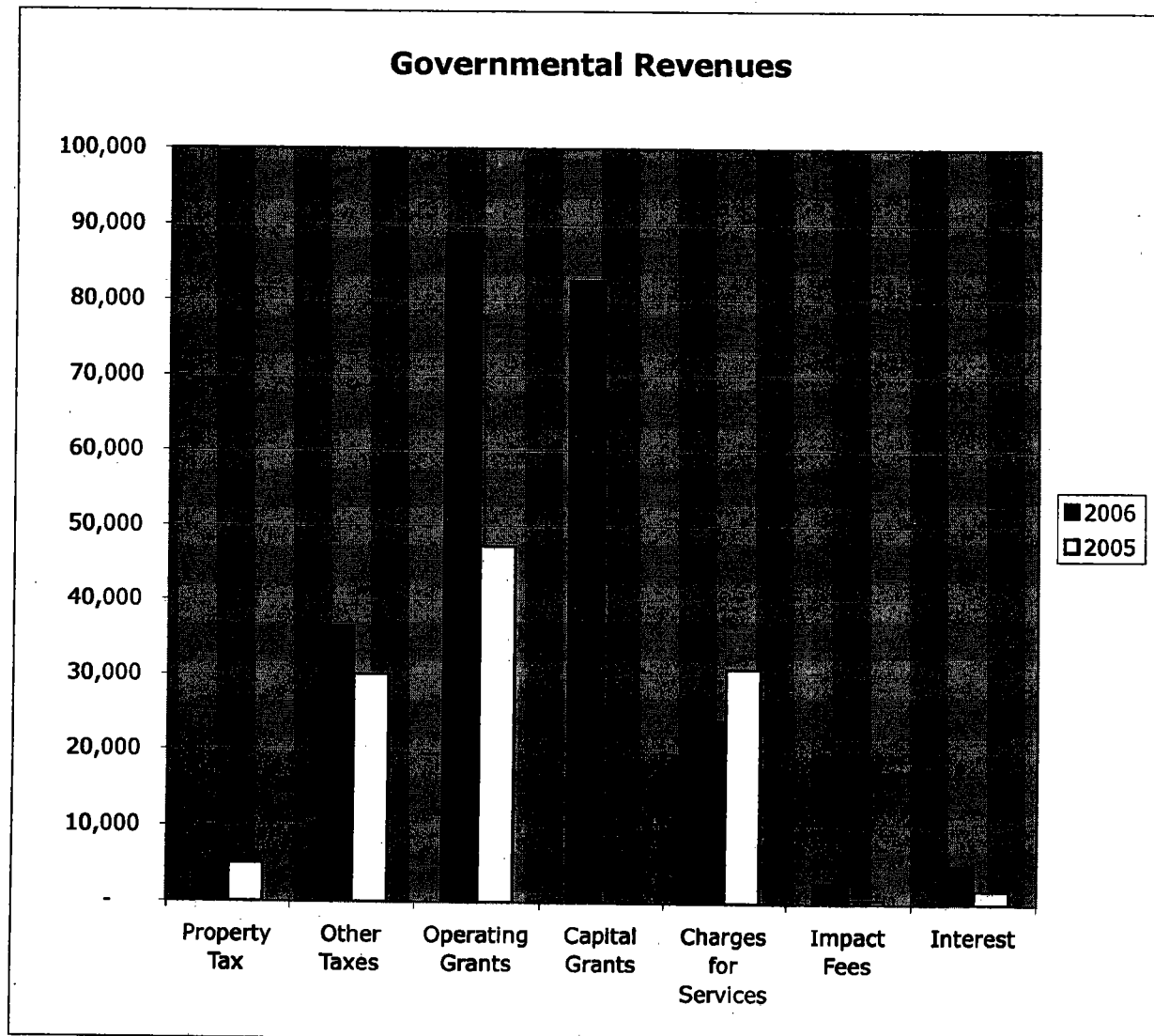
Additional information on Koosharem Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Koosharem Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Koosharem Town Clerk, P.O. Box 440199, Koosharem, Utah, 84744.

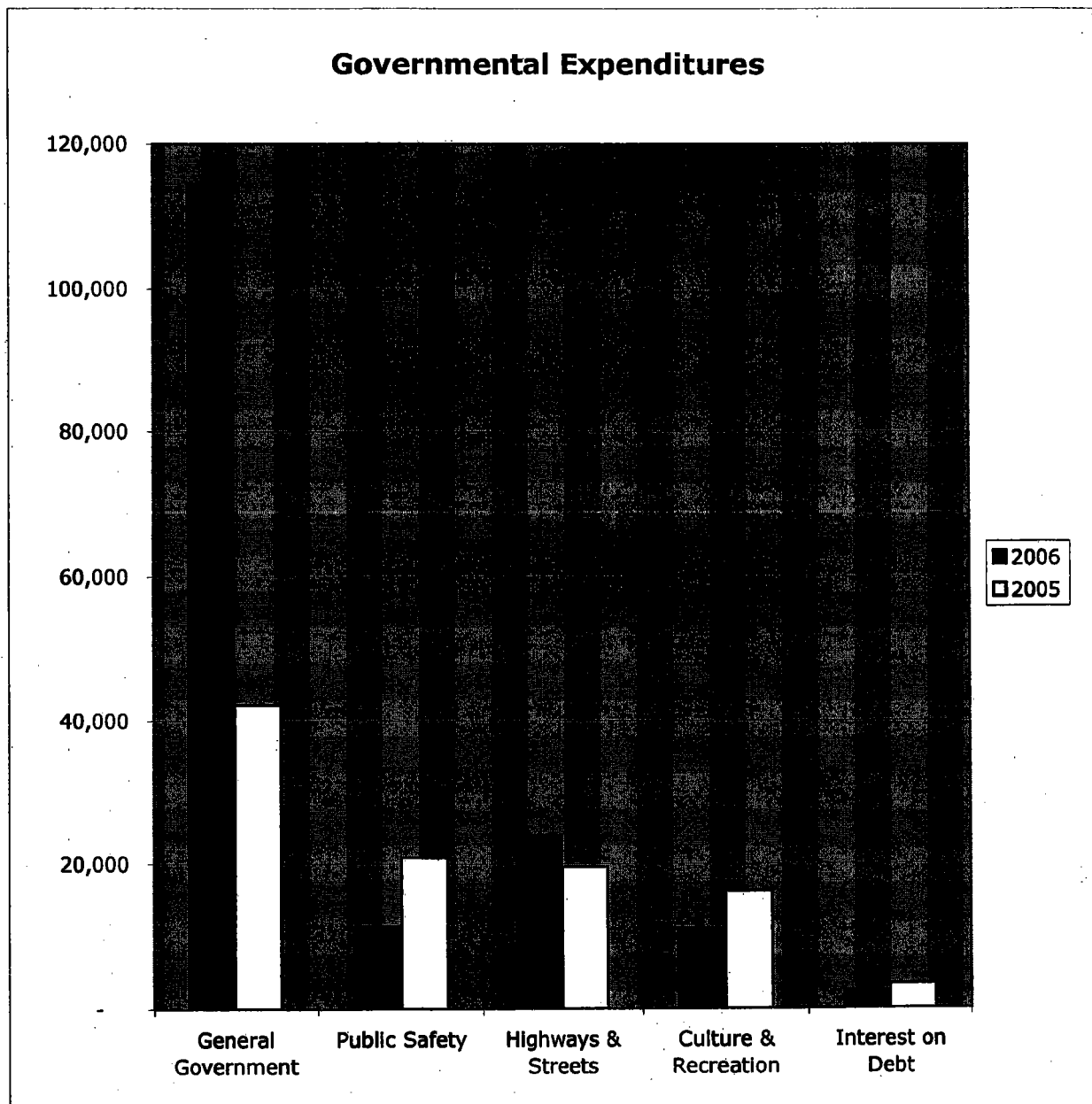
Town of Koosharem
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Property Tax	5,245	5,133
Other Taxes	36,477	30,106
Operating Grants	88,864	47,304
Capital Grants	82,600	
Charges for Services	23,986	30,904
Impact Fees	2,781	467
Interest	5,090	1,803
Total Revenues	245,043	115,717



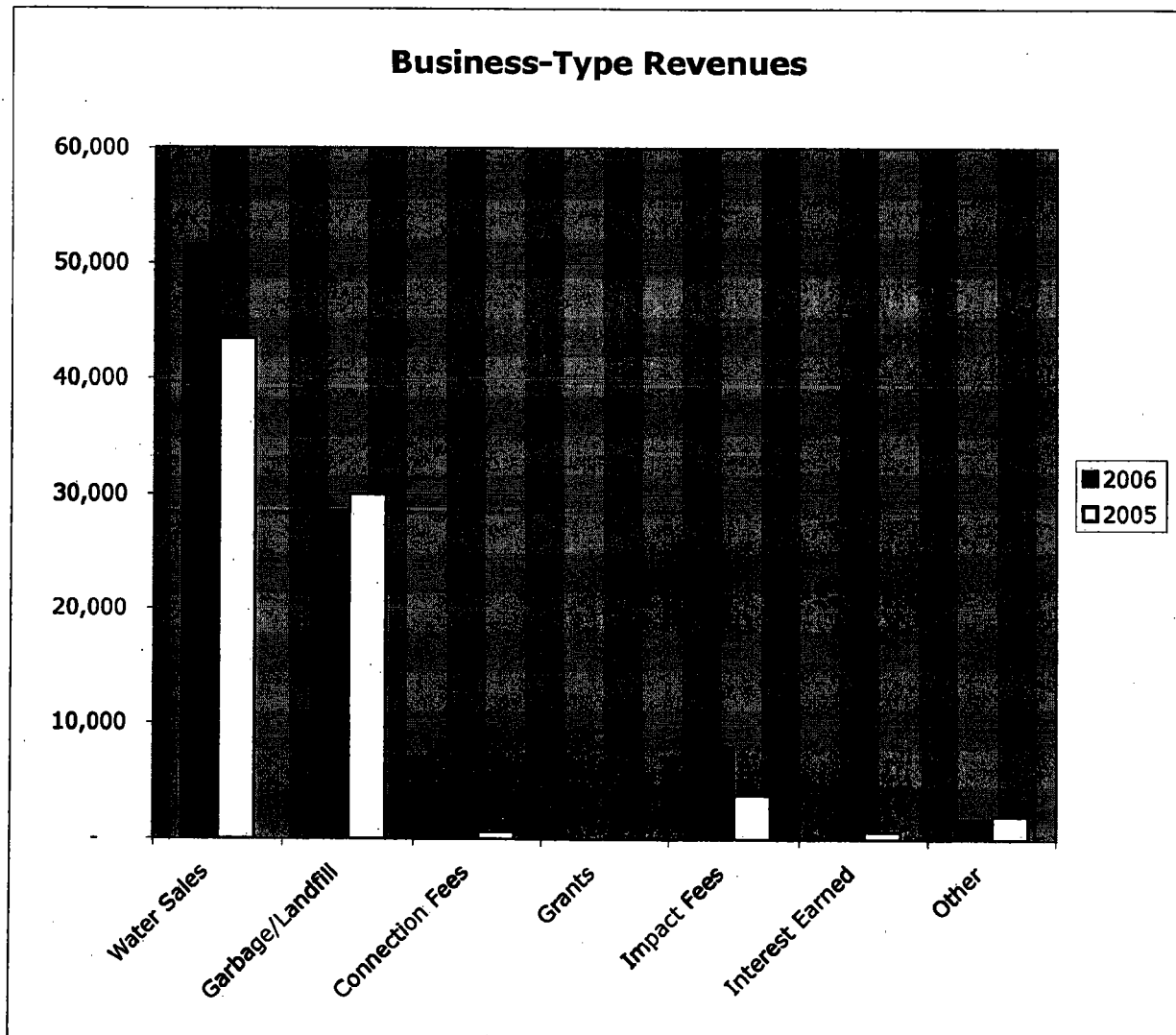
Town of Koosharem
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	114,284	42,267
Public Safety	11,374	20,863
Highways & Streets	23,930	19,583
Culture & Recreation	11,104	16,271
Interest on Debt	2,499	3,461
Total Expenditures	163,191	102,445



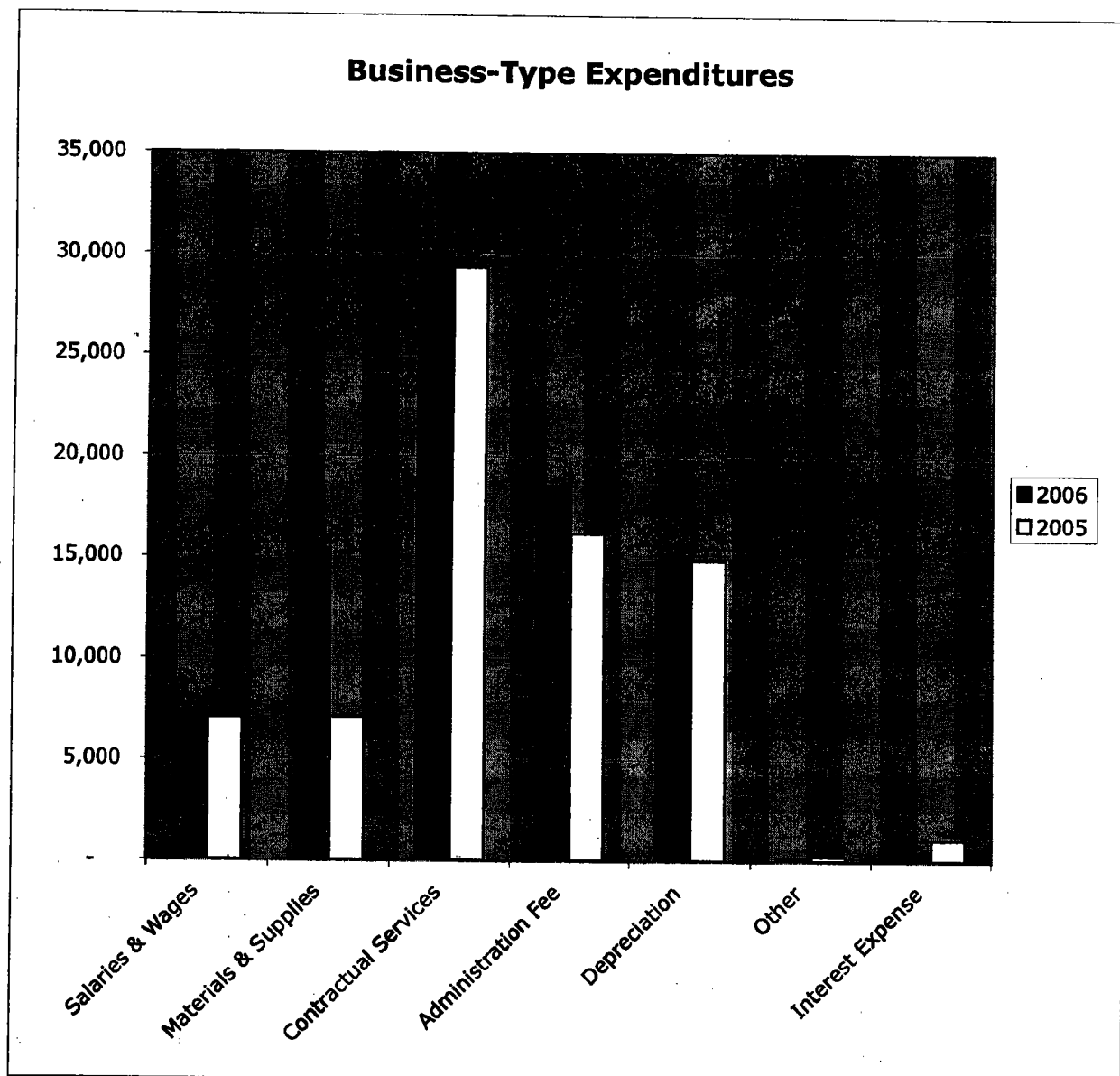
Town of Koosharem
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water Sales	51,626	43,494
Garbage/Landfill	28,565	30,031
Connection Fees	2,000	620
Grants	-	-
Impact Fees	7,996	3,858
Interest Earned	1,262	675
Other	1,767	2,083
Total Revenues	93,216	80,761



Town of Koosharem
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	7,390	7,067
Materials & Supplies	15,442	7,106
Contractual Services	30,150	29,382
Administration Fee	18,559	16,200
Depreciation	14,900	14,900
Other	200	260
Interest Expense	453	1,070
Total Expenditures	87,094	75,985



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BASIC FINANCIAL STATEMENTS

**TOWN OF KOOSHAREM
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	86,377	31,797	118,174
Accounts Receivable (Net)	576	8,788	9,364
Due From Other Government Units	7,277	-	7,277
Total Current Assets	94,230	40,585	134,815
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	7,816	7,816
Capital Assets (Net of Accumulated Depreciation):			
Land	64,564	1,000	65,564
Water Shares	-	177,900	177,900
Buildings	201,358	-	201,358
Equipment	53,936	-	53,936
Improvements Other Than Buildings	9,167	351,472	360,639
Infrastructure	70,800	-	70,800
Total Noncurrent Assets	399,825	538,188	938,013
TOTAL ASSETS	494,055	578,773	1,072,828
LIABILITIES			
Current Liabilities:			
Accounts Payable	883	260	1,143
Accrued Liabilities	-	1,072	1,072
Revenue Bonds Payable - Due Within One Year	26,980	2,697	29,677
Total Current Liabilities	27,863	4,029	31,892
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	130,431	-	130,431
TOTAL LIABILITIES	158,294	4,029	162,323
NET ASSETS			
Investment in Capital Assets, Net of Debt	242,414	527,675	770,089
Restricted For:			
Class C Road	51,106	-	51,106
Impact Fees	4,189	7,816	12,005
Unrestricted	38,052	39,253	77,305
TOTAL NET ASSETS	335,761	574,744	910,505
TOTAL LIABILITIES AND NET ASSETS	494,055	578,773	1,072,828

The notes to the financial statements are an integral part of this statement.

**TOWN OF KOOSHAREM
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants/ Contributions	Primary Government	
				Governmental Activities	Business-Type Activities
Governmental Activities:					
General Government	114,284	18,295	54,313	(41,676)	(41,676)
Public Safety	11,374	-	3,260	(1,714)	(1,714)
Highways and Public Improvements	23,930	-	31,291	83,561	83,561
Culture and Recreation	11,104	5,691	-	(5,413)	(5,413)
Interest on Long-Term Debt	2,499	-	-	(2,499)	(2,952)
Total Governmental Activities	163,191	23,986	88,864	32,259	31,806
Business-Type Activities:					
Utility Fund	86,641	83,958	-	-	(2,683)
Total Primary Government	249,832	107,944	-	32,259	29,123
General Revenues:					
Property Taxes				5,245	5,245
Fee-In-Lieu of Property Taxes				1,475	1,475
Sales Taxes				35,002	35,002
Unrestricted Investment Earnings				5,090	6,352
Impact Fees				2,781	10,777
Total General Revenues and Transfers				49,593	58,851
Change in Net Assets				81,852	87,974
Net Assets - Beginning				253,909	822,531
Net Assets - Ending				335,761	910,505

The notes to the financial statements are an integral part of this statement.

**TOWN OF KOOSHAREM
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Municipal Building Authority</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	84,654	1,723	86,377
Accounts Receivable (Net)	576	-	576
Due From Other Government Units	<u>7,277</u>	<u>-</u>	<u>7,277</u>
TOTAL ASSETS	<u><u>92,507</u></u>	<u><u>1,723</u></u>	<u><u>94,230</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	<u>883</u>	<u>-</u>	<u>883</u>
Total Liabilities	<u><u>883</u></u>	<u><u>-</u></u>	<u><u>883</u></u>
Fund Balances:			
Reserved For:			
Class "C" Road	51,106	-	51,106
Impact Fees	4,189	-	4,189
Unreserved	<u>36,329</u>	<u>1,723</u>	<u>38,052</u>
Total Fund Balance	<u><u>91,624</u></u>	<u><u>1,723</u></u>	<u><u>93,347</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>92,507</u></u>	<u><u>1,723</u></u>	<u><u>94,230</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KOOSHAREM
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

June 30, 2006

Total Fund Balances - Governmental Fund Types	93,347
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	64,564	
Buildings	201,358	
Equipment	53,936	
Improvements	9,167	
Infrastructure	<u>70,800</u>	
 Total		 399,825

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Road Revenue Bond	<u>(157,411)</u>
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Net Assets of Government Activities	<u><u>335,761</u></u>
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TOWN OF KOOSHAREM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Municipal Building Authority	Total
Revenues:			
Taxes	41,722	-	41,722
Licenses and Permits	413	-	413
Intergovernmental Revenue	171,464	-	171,464
Charges for Services	21,099	-	21,099
Interest	3,215	1,875	5,090
Miscellaneous Revenues	5,255	-	5,255
	<u>243,168</u>	<u>1,875</u>	<u>245,043</u>
Total Revenues			
	<u>243,168</u>	<u>1,875</u>	<u>245,043</u>
Expenditures:			
Current:			
General Government	112,784	-	112,784
Public Safety	8,159	-	8,159
Highways and Public Improvements	4,950	-	4,950
Culture and Recreation	11,104	-	11,104
Capital Outlay	72,924	120,152	193,076
Debt Service:			
Principal	19,962	-	19,962
Interest	2,499	-	2,499
	<u>232,382</u>	<u>120,152</u>	<u>352,534</u>
Total Expenditures			
	<u>232,382</u>	<u>120,152</u>	<u>352,534</u>
Excess Revenues Over (Under) Expenditures	10,786	(118,277)	(107,491)
Other Financing Sources (Uses):			
Bond Proceeds	-	120,000	120,000
	<u>-</u>	<u>120,000</u>	<u>120,000</u>
Net Change In Fund Balance			
	10,786	1,723	12,509
Fund Balance - Beginning			
	<u>80,838</u>	-	<u>80,838</u>
Fund Balance - Ending			
	<u>91,624</u>	<u>1,723</u>	<u>93,347</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KOOSHAREM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	12,509
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Asset Additions	193,076	
Depreciation	<u>(23,695)</u>	
Total		169,381

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Lease Revenue Bonds Issued	(120,000)	
Principal Payment on Bonds	<u>19,962</u>	
Total		<u>(100,038)</u>

Changes In Net Assets of Governmental Activities	<u><u>81,852</u></u>
--	----------------------

**TOWN OF KOOSHAREM
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund
	<u>Utility Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	31,797
Accounts Receivable	<u>8,788</u>
Total Current Assets	<u>40,585</u>
Noncurrent Assets:	
Investments - Restricted:	
Impact Fees	7,816
Capital Assets: (Net of Accumulated Depreciation)	
Land	1,000
Water Rights	177,900
Improvements Other Than Buildings	<u>351,472</u>
Total Noncurrent Assets	<u>538,188</u>
TOTAL ASSETS	<u><u>578,773</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	260
Deferred Revenue	1,072
Bonds Payable - Current Portion	<u>2,697</u>
TOTAL LIABILITIES	<u>4,029</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	527,675
Restricted for Impact Fees	7,816
Unrestricted	<u>39,253</u>
TOTAL NET ASSETS	<u>574,744</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>578,773</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KOOSHAREM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2006

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Utility Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water	51,626
Garbage/Landfill	28,565
Hookups Fees	2,000
Other	<u>1,767</u>
Total Operating Revenues	<u>83,958</u>
Operating Expenses:	
Salaries and Wages	7,390
Materials and Supplies	15,442
Contractual Services	30,150
Administrative Fee	18,559
Other	200
Depreciation	<u>14,900</u>
Total Operating Expenses	<u>86,641</u>
Operating Income	<u>(2,683)</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	1,262
Impact Fees	7,996
Interest Expense	<u>(453)</u>
Total Nonoperating Revenues (Expenses)	<u>8,805</u>
Change in Net Assets	6,122
Total Net Assets - Beginning	<u>568,622</u>
Total Net Assets - Ending	<u><u>574,744</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KOOSHAREM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For The Fiscal Year Ended June 30, 2006

	Business-Type Activity Enterprise Fund
	<u>Utility Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	84,630
Payments to Suppliers	(67,264)
Payments to Employees	<u>(7,390)</u>
Net Cash Provided by Operating Activities	<u>9,976</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(15,805)
Interest Paid on Capital Debt	(453)
Impact Fees	<u>7,996</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,262)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>1,263</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,977
Cash and Cash Equivalents - Beginning	<u>36,636</u>
Cash and Cash Equivalents - Ending	<u><u>39,613</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used)	
By Operating Activities:	
Operating Income	<u>(2,683)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided	
Provided (Used) By Operating Activities:	
Depreciation	14,900
Increase (Decrease) in Operating Assets:	
Accounts Receivable	672
Deferred Revenue	(286)
Accounts Payable	<u>(2,627)</u>
Total Adjustments	<u>12,659</u>
Net Cash Provided (Used) by Operating Activities	<u><u>9,976</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town Koosharem conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

The Town Koosharem is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, the Town Koosharem, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town Kooshare considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to the City for City purposes.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Equipment	5 - 10 Years
Irrigation System	40 Years
Buildings	40 Years
Improvements	20 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by Sevier County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town of Koosharem maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of the pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the Town's deposits was \$9,875 and the bank balance was \$24,089. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits - Checking	9,875
Investment - PTIF	<u>116,115</u>
Total Cash and Investments	<u><u>125,990</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities	86,377
Business-Type Activities - Unrestricted	31,797
Business-Type Activities - Restricted	<u>7,816</u>
Total Cash and Cash Equivalents	<u><u>125,990</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$24,089 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$116,115 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - ACCOUNTS RECEIVABLE - UTILITY FUND

Accounts receivable of \$8,788 represents amounts owed the Town by residents for utility billings through June 30, 2006.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	41,000	-	-	41,000
Land Under Roads	23,564	-	-	23,564
Total Capital Assets Not Being Depreciated	64,564	-	-	64,564
Capital Assets Being Depreciated:				
Buildings	126,000	141,208	-	267,208
Equipment	15,645	42,701	-	58,346
Improvements	-	9,167	-	9,167
Infrastructure	177,000	-	-	177,000
Total Capital Assets Being Depreciated	318,645	193,076	-	511,721
Less Accumulated Depreciation For:				
Buildings	62,700	3,150	-	65,850
Equipment	1,565	2,845	-	4,410
Infrastructure	88,500	17,700	-	106,200
Total Accumulated Depreciation	152,765	23,695	-	176,460
Total Capital Assets Being Depreciated (Net)	165,880	169,381	-	335,261
Governmental Activities Capital Assets, Net	230,444	169,381	-	399,825

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being				
Depreciated:				
Land	1,000	-	-	1,000
Water Stock	<u>177,900</u>	<u>-</u>	<u>-</u>	<u>177,900</u>
 Total Capital Assets Not Being Depreciated	 <u>178,900</u>	 <u>-</u>	 <u>-</u>	 <u>178,900</u>
 Capital Assets Being				
Depreciated:				
Equipment	3,200	-	-	3,200
Utility Systems	<u>595,516</u>	<u>-</u>	<u>-</u>	<u>595,516</u>
 Total Capital Assets Being Depreciated	 <u>598,716</u>	 <u>-</u>	 <u>-</u>	 <u>598,716</u>
 Less Accumulated Depreciation For:				
Equipment	3,200	-	-	3,200
Utility Systems	<u>229,144</u>	<u>14,900</u>	<u>-</u>	<u>244,044</u>
 Total Accumulated Depreciation	 <u>232,344</u>	 <u>14,900</u>	 <u>-</u>	 <u>247,244</u>
 Total Capital Assets Being Depreciated (Net)	 <u>366,372</u>	 <u>(14,900)</u>	 <u>-</u>	 <u>351,472</u>
 Business Type Activities Capital Assets, Net	 <u>545,272</u>	 <u>(14,900)</u>	 <u>-</u>	 <u>530,372</u>
 Total Capital Assets	 <u><u>775,716</u></u>	 <u><u>154,481</u></u>	 <u><u>-</u></u>	 <u><u>930,197</u></u>

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,500	-	1,500
Public Safety	3,215	-	3,215
Public Health	-	14,900	14,900
Highways and Public Improvements	18,980	-	18,980
Total Depreciation Expense	<u><u>23,695</u></u>	<u><u>14,900</u></u>	<u><u>38,595</u></u>

NOTE 5 - MUNICIPAL BUILDING AUTHORITY

On May 5, 2005, the Town approved the organization of a Municipal Building Authority for the purpose of acquiring, improving, or extending any improvements, facilities or properties and appurtenances to them which the Town is authorized or permitted by law including but not limited to acquiring, leasing, constructing, furnishing, maintaining and operating an equipment storage building and related facilities, or to acquiring or leasing land required for or related to these purposes.

The Town has constructed a storage facility building at a cost of approximately \$141,000. The project was completed in this fiscal year.

NOTE 6 - LONG-TERM DEBT

Utility Long-Term Debt

Water Revenue Refunding Bonds:

On August 1, 2002, the Town paid in full their obligation to GMAC Commercial Mortgage Corporation by refinancing with the State Bank of Southern Utah through a water revenue refunding bond, Series 2001 in the amount of \$60,000. The bond carries a interest rate of 4% and requires monthly payments of \$1,354.77 per month.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	<u><u>2,697</u></u>	<u><u>13</u></u>	<u><u>2,710</u></u>

The following is a statement of changes in Utility Long-Term Debt:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
State Bank of Southern Utah	<u><u>18,502</u></u>	<u><u>-</u></u>	<u><u>15,805</u></u>	<u><u>2,697</u></u>

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)
Governmental Long-Term Debt

Street Improvement Revenue Bonds, Series 2001:

On July 10, 2001, the Town issued bonds to finance the cost of constructing improvement to certain Class C roads within the boundaries of the Town. The bonds carry an interest rate of 5% and require quarterly payments of \$5,615.20 which began December 1, 2001. The Town has pledged their Class C Road allotments from the State of Utah until the bonds are paid in full.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 1:			
2007	20,980	1,481	22,461
2008	16,431	413	16,844
	<u>37,411</u>	<u>1,894</u>	<u>39,305</u>
Total			

Lease Revenue Bond, Series 2005:

During February 2006 the Town issued a Series 2005, Lease Revenue Bonds for \$120,000. The bonds were purchased by the Utah Permanent community Impact Fund Board. The funds were used by the Municipal Building Authority of Kooshareem to construct a maintenance building. The bonds carry a 0% interest and payments of \$6,000 annually beginning April 1, 2007.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 1:			
2007	6,000	-	6,000
2008	6,000	-	6,000
2009	6,000	-	6,000
2010	6,000	-	6,000
2011	6,000	-	6,000
2012-2016	30,000	-	30,000
2017-2021	30,000	-	30,000
2022-2026	30,000	-	30,000
	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total			

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of Governmental debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	26,980	1,481	28,461
2008	22,431	413	22,844
2009	6,000	-	6,000
2010	6,000	-	6,000
2011	6,000	-	6,000
2012-2016	30,000	-	30,000
2017-2021	30,000	-	30,000
2022-2026	30,000	-	30,000
Total	<u>157,411</u>	<u>1,894</u>	<u>159,305</u>

The following is a statement of changes in Governmental Long-Term Debt:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Revenue Bonds, Series 2001	57,373	-	19,962	37,411
Lease Revenue Bonds, Series 2005	-	120,000	-	120,000
Total	<u>57,373</u>	<u>120,000</u>	<u>19,962</u>	<u>157,411</u>

NOTE 7 - CLASS C ROADS

The following is schedule of receipts and disbursements in the Class C Road:

Balance - Beginning of Year	43,000
Receipts:	
State Allotments	31,291
Road Impact Fees	2,412
Interest	<u>1,814</u>
Total Receipts	35,517
Disbursements:	
Class C Road Projects	(4,950)
Bond Principal	(19,962)
Bond Interest	<u>(2,499)</u>
Total Disbursements	<u>(27,411)</u>
Balance - End of Year	<u>51,106</u>

TOWN OF KOOSHAREM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$2,000,000 combined single limit with no deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with no deductible.

Automobile Liability:

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with no deductible. Property damage \$2,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$65,000 each accident and \$50,000 each policy period.

Property:

All of the property coverage is brokered and written through Utah Local Government Trust. Buildings and equipment are covered based on replacement costs subject to a \$1,000 deductible.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

TOWN OF KOOSHAREM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations:

For the year ended June 30, 2006, spending for all funds and departments of the Town was within the approved budgets.

**TOWN OF KOOSHAREM
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	4,838	4,933	4,916	(17)
Prior Years Taxes	325	325	329	4
General Sales and Use Taxes	29,762	35,080	35,002	(78)
Fee-In-Lieu	1,481	1,481	1,475	(6)
Total Taxes	36,406	41,819	41,722	(97)
Licenses and Permits	480	480	413	(67)
Intergovernmental Revenue:				
Class C Road	33,044	33,044	31,291	(1,753)
State Grants	76,200	76,200	76,200	-
Federal Grants	109,540	125,658	60,713	(64,945)
State Liquor Allotment	128	230	260	30
Contributions from County	3,000	3,000	3,000	-
Total Intergovernmental Revenue	221,912	238,132	171,464	(66,668)
Charges for Services:				
Cemetery	3,100	3,100	2,540	(560)
Administrative Fee	18,559	18,559	18,559	-
Total Charges for Services	21,659	21,659	21,099	(560)
Other Revenue:				
Interest	2,280	2,280	3,215	935
Rents and Concessions	500	500	370	(130)
Impact Fees	1,786	1,786	2,781	995
Other	3,865	2,344	2,104	(240)
Total Miscellaneous Revenue	8,431	6,910	8,470	1,560
Total Revenues	288,888	309,000	243,168	(65,832)

**TOWN OF KOOSHAREM
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Salaries	-	24,479	23,594	885
Administration	46,133	22,735	18,903	3,832
Professional Services	86,850	92,123	69,288	22,835
Elections	1,000	1,000	999	1
Total General Government	133,983	140,337	112,784	27,553
Public Safety:				
Fire Department	5,425	15,025	8,159	6,866
Highway and Public Improvements:				
Construction	27,000	27,000	-	27,000
Repairs and Maintenance	9,300	9,300	4,950	4,350
Debt Service	22,460	22,460	22,461	(1)
Total Highways and Public Improvements	58,760	58,760	27,411	31,349
Culture and Recreation:				
Cemetery	13,400	4,000	3,669	331
Parks	13,727	12,346	7,435	4,911
Total Culture and Recreation	27,127	16,346	11,104	5,242
Capital Outlay	63,000	74,757	72,924	1,833
Total Expenditures	288,295	305,225	232,382	72,843
Excess Revenues Over (Under) Expenditures	593	3,775	10,786	7,011
Fund Balance - Beginning			80,838	
Fund Balance - Ending			91,624	

**TOWN OF KOOSHAREM
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Bond Proceeds	120,000	120,000	120,000	-
Interest	-	1,500	1,875	375
Total Revenues	120,000	121,500	121,875	375
Expenditures:				
Capital Outlay	120,000	121,500	120,152	1,348
Total Expenditures	120,000	121,500	120,152	1,348
Excess Revenues Over (Under) Expenditures	-	-	1,723	1,723
Fund Balance - Beginning			-	
Fund Balance - Ending			1,723	

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is used to assist in formatting, for easier reading)

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF KOOSHAREM
SCHEDULE OF IMPACT FEES**

For The Fiscal Year Ended June 30, 2006

IMPACT FEES

On March 11, 2005, the Town adopted an impact fee ordinance for water, roads, parks and fire which are broken into three areas as follows:

	<u>Impact Fees</u>
Water	4,010
Roads	770
Parks	<u>123</u>
Total	<u><u>4,903</u></u>

The Town is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for the system, or other expenditures as allowed by law.

Certain funds must be expended within six years from receipt or the funds must be returned with interest to the payer.

The following is the balance of impact fees collected and not expended at year end:

	<u>Amount</u>
Water	7,816
Roads	-
Parks	<u>4,189</u>
Total	<u><u>12,005</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Board
Town of Koosharem
Koosharem, Utah 84744

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Koosharem as and for the year ended June 30, 2006, which collectively comprise the Town of Koosharem's basic financial statements and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Koosharem's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Koosharem's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Town Board
Town of Koosharem
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This report is intended solely for the information and use of management, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 19, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Town of Koosharem
Koosharem, Utah 84744

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Koosharem, for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 19, 2006. As part of our audit, we have audited Town of Koosharem's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of the Town of Koosharem's financial statements.)

Equipment and Construction Grant (Dept. of Community and Economic Development)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of the Town of Koosharem is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and Town Council
Town of Koosharem
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Town of Koosharem, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 19, 2006
Richfield, Utah